

**TRANSMITTAL AND NOTICE OF APPROVAL OF  
STATE PLAN MATERIAL**  
FOR: HEALTH CARE FINANCING ADMINISTRATION

1. TRANSMITTAL NUMBER:

0 1 — 0 0 3

2. STATE:

Arkansas

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL  
SECURITY ACT (MEDICAID)TO: REGIONAL ADMINISTRATOR  
HEALTH CARE FINANCING ADMINISTRATION  
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE

June 1, 2001

5. TYPE OF PLAN MATERIAL (Check One):

☐ NEW STATE PLAN☐ AMENDMENT TO BE CONSIDERED AS NEW PLAN☒ AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)

6. FEDERAL STATUTE/REGULATION CITATION:

42 CFR, Part 447, Subpart F

7. FEDERAL BUDGET IMPACT:

a. FFY 2001 \$ -0-

b. FFY 2002 \$ -0-

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:

Please see attached listing

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION  
OR ATTACHMENT (If Applicable):

Please see attached listing

10. SUBJECT OF AMENDMENT:

The Arkansas Title XIX State Plan has been amended to reflect revisions in the  
reimbursement of inpatient psychiatric services for under age <sup>24.\*</sup>  
22

11. GOVERNOR'S REVIEW (Check One):

- ☒ GOVERNOR'S OFFICE REPORTED NO COMMENT  
☐ COMMENTS OF GOVERNOR'S OFFICE ENCLOSED  
☐ NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

☐ OTHER, AS SPECIFIED:

12. SIGNATURE OF STATE AGENCY OFFICIAL:

13. TYPED NAME:  
Ray Hanley14. TITLE:  
Director, Division of Medical Services15. DATE SUBMITTED:  
March 12, 2001

16. RETURN TO:

Division of Medical Services  
P. O. Box 1437  
Little Rock, AR 72203-1437Attention: Binnie Alberius  
Slot 1103

## FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED:

03-15-01

18. DATE APPROVED:

18 APRIL, 2001

## PLAN APPROVED - ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL:

1 JUNE, 2001

20. SIGNATURE OF REGIONAL OFFICIAL:

21. TYPED NAME:

CALVIN G. CLINE

22. TITLE:

ASSOCIATE REGIONAL ADMINISTRATOR  
DIVISION OF MEDICAID

23. REMARKS:

\* Pen &amp; ink change made per State's 4/17/01 request.

*Attorney's  
copy*

**ATTACHED LISTING FOR  
ARKANSAS STATE PLAN  
TRANSMITTAL #2001-003**

**8. Number of the Plan  
Section or Attachment**

Attachment 4.19-A, Page 9b

Attachment 4.19-A, Page 9bb

Attachment 4.19-A, Page 9bbb

Attachment 4.19-B, Page 6

Attachment 4.19-B, Page 6a

**9. Number of the Superseded Plan  
Section or Attachment**

Attachment 4.19-A, Page 9b  
Approved 03-15-94, TN 93-34

Attachment 4.19-A, Page 9bb  
Approved 01-06-94, TN 93-18

Attachment 4.19-A, Page 9bbb  
Approved 10-10-95, TN 95-22

Attachment 4.19-B, Page 6  
Approved 10-10-95, TN 95-22

Attachment 4.19-B, Page 6a  
Approved 02-12-01, TN 00-16

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT  
MEDICAL ASSISTANCE PROGRAM  
STATE ARKANSAS

ATTACHMENT 4.19-B  
Page 6a

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES -  
OTHER TYPES OF CARE

Revised: June 1, 2001

16. Inpatient Psychiatric Facility Services For Individuals Under 22 Years of Age (Continued)

Sexual Offender Programs (continued)

New providers are required to submit a full year's annual budget for the current State Fiscal Year (July 1<sup>st</sup> through June 30<sup>th</sup>) at the time of enrollment if no cost report is available. This annual budget is used to set their interim rate at the lesser of the budgeted allowable cost per day or the upper limit (cap).

Year end cost reports must be submitted and will be audited in the same manner as audits for inpatient psychiatric hospital **Residential Treatment Units (RTUs)** and will be cost settled.

**Interim rates and cost settlements are calculated using the same methodology as inpatient residential treatment units with the same professional component cap and the same annual State Fiscal year per diem cap.**

17. Nurse Midwife Services

Reimbursement is based on the lesser of the amount billed or the Title XIX (Medicaid) maximum. The Title Maximum for nurse-midwife services was established based on 80% of the current physician Medicaid Maximum. Rhogam RhoD Immune Globulin is reimbursed at the same rate as the physician's rate since the cost and administration of the drug does not vary between the nurse midwife and physician.

AR-01-16

STATE	Arkansas
DATE REC'D	15 Mar 01
DATE APP'VE	13 Apr 01
DATE EFF	1 Jun 01
HCFA 179	AR-01-03

A

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES -  
INPATIENT HOSPITAL SERVICES

Revised: June 1, 2001

1. Inpatient Hospital Services (Continued)

Inpatient Psychiatric Services For Individuals Under 22 Years of Age

Effective for dates of service on or after August 8, 1991, inpatient psychiatric hospitals are reimbursed for services provided to individuals under 22 years of age using hospital-specific prospective per diem rates. The prospective rates are established using total reimbursable costs under Medicare principles of reasonable cost reimbursement.

The rates for inpatient psychiatric hospitals are calculated utilizing the lesser of the hospital's per diem cost inflated by the consumer price index for all urban consumers (CPI-U), U.S. city average for all items, plus a \$69 professional component or the upper limit (cap). The \$69 professional component is the average of the rates for the individual psychotherapy procedure codes as of August 8, 1991. Effective for claims with dates of service on or after February 1, 1994, the upper limit is set annually at the 60<sup>th</sup> percentile. The upper limit (cap) is established annually at the 60<sup>th</sup> percentile of all in-state inpatient psychiatric hospitals' inflation adjusted per diem rates plus the \$69 professional component. The calculation of the upper limit (cap) is rounded up (0.5000 or greater) or down (0.4999 or less) if the 60<sup>th</sup> percentile is not a whole number. This is a prospective rate with no cost settlement.

Rates are calculated annually and are effective for dates of service occurring during the next State Fiscal Year (July 1<sup>st</sup> through June 30<sup>th</sup>). Per diem costs and the upper limit (cap) are calculated from the most recent submitted hospital cost reports with ending dates occurring in the previous calendar year. Less than full year cost reports and out-of-state provider cost reports will not be included when calculating the 60<sup>th</sup> percentile. For hospitals with a cost report period of less than a full six months, the new State Fiscal Year per diem rate is calculated by inflating the previous State Fiscal Year's per diem rate by the CPI-U. The upper limit (cap) will not be adjusted after being set should new providers enter the program or late cost reports be received.

New providers are required to submit a full year's annual budget for the current State Fiscal Year (July 1<sup>st</sup> through June 30<sup>th</sup>) at the time of enrollment if no cost report is available. This annual budget is used to set their interim rate at the lesser of the budgeted allowable cost per day or the upper limit (cap) in effect as of the first day of their enrollment. The interim rate for new providers will be retroactively adjusted to the allowable per diem cost as calculated from the provider's first submitted cost report for a period of at least a full six months.

SUPERSEDES: TN - AR-93-34

STATE	Arkansas
DATE REC'D	15 Mar 01
DATE APP'D	18 Apr 01
DATE EFF	1 Jun 01
HCFA 179	AR-01-03

A

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT  
MEDICAL ASSISTANCE PROGRAM  
STATE ARKANSAS

ATTACHMENT 4.19-A  
Page 9bb

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES -  
INPATIENT HOSPITAL SERVICES

Revised: June 1, 2001

1. **Inpatient Hospital Services (Continued)**

**Inpatient Psychiatric Hospital Services For Individuals Under 22 Years of Age (Continued)**

Effective for dates of service on or after July 1, 1993, the State will reimburse the lesser of cost or a maximum of \$316.00 per day for residential treatment units located within inpatient psychiatric hospitals. The State will reimburse the lesser of audited cost or a maximum of \$316.00 per day. Cost is defined as total reimbursable costs under Medicare principles of reasonable cost reimbursement, except the gross receipts tax is not an allowable cost. **Cost settlement will be made after the cost report is audited.**

**Allowable costs will include the professional component costs. The professional component cost included in the allowable cost is capped at \$69.00 per day which is the average of the rates for the individual psychotherapy procedure codes as of August 8, 1991.**

The initial maximum of \$316.00 represents the average budgeted cost per day of the instate freestanding residential treatment centers for State Fiscal Year 1994. The State will review the maximum annually (July 1 through June 30). The budgeted data for the upcoming State Fiscal Year submitted by the instate freestanding residential treatment centers prior to the end of the State Fiscal Year will be used to determine the new maximum for each new State Fiscal Year. The new maximum will be effective for dates of service on or after July 1 of the new State Fiscal year. For each State Fiscal Year after the initial year, the State will set the maximum per diem at the average budgeted cost per day (**mean**) for instate freestanding residential treatment centers (RTCs). If the average budgeted cost per day for the instate freestanding RTCs changes at all, the State will calculate a new cap, and the new cap will be equal to the average of instate freestanding RTCs. **The upper limit (cap) will not be audited after being set should new Residential Treatment Centers enter the program or late budgets be received.**

Interim reimbursement rates are implemented at the lesser of the per diem cost as calculated from the most recent submitted unaudited cost report (including the allowable professional component cost) or the upper limit (cap) in effect as of the first day after the cost report ending date.

New providers are required to submit a full year's annual budget for the current State Fiscal Year (July 1<sup>st</sup> through June 30<sup>th</sup>) at the time of enrollment if no cost report is available. This annual budget is used to set their interim rate of the lesser of the budgeted allowable cost per day or the upper limit (cap) in effect as of the first day of their enrollment.

SUPERSEDED BY AR-93-18

STATE	Arkansas
DATE REC'D	15 Mar 01
DATE APP'VE	18 Apr 01
DATE EFF	1 Jun 01
HCFA 179	AR-01-03

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES -  
INPATIENT HOSPITAL SERVICES

Revised: June 1, 2001

1. Inpatient Hospital Services (Continued)

Inpatient Psychiatric Hospital Services For Individuals Under 22 Years of Age (Continued)

Sexual Offender Programs

Sexual Offender Programs are designed specifically for the treatment of those patients designated as sexual offenders who cannot be treated with other mental health patients. These services are provided in separate units in the psychiatric hospital. These units meet all the requirements of Subpart D of 42 CFR Part 441 for inpatient psychiatric services for individuals under 21. In addition, they must meet any certification requirements of the Division of Mental Health Services.

Effective for cost reporting periods beginning on or after September 1, 1995, these providers will be reimbursed using Medicare Principles of Reasonable Cost Reimbursement, in 42 CFR Part 413, subject to cost settlement. The initial interim rates for these programs will use reasonable budgeted cost reports. Once audited cost reports are available the most recent audited cost report will be used to set the interim rate. Interim rates will be adjusted every six months if costs increase more than 10%.

New providers are required to submit a full year's annual budget for the current State Fiscal Year (July 1<sup>st</sup> through June 30<sup>th</sup>) at the time of enrollment if no cost report is available. This annual budget is used to set their interim rate at the lesser of the budgeted allowable cost per day or the upper limit (cap) in effect as of the first day of their enrollment.

Year end cost reports must be submitted and will be audited in the same manner as audits for inpatient psychiatric hospital Residential Treatment Units (RTUs) and will be cost settled.

Interim rates and cost settlements are calculated using the same methodology as inpatient residential treatment units with the same professional component cap and the same annual State Fiscal Year per diem cap.

DISPENSED BY: AR-95-39

STATE	Arkansas
DATE REC'D	15 Mar 01
DATE APP'D	18 Apr 01
DATE EFF.	1 Jun 01
HCFA 179	AR-01-03

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES -  
OTHER TYPES OF CARE

Revised: June 1, 2001

15. Services in an intermediate care facility for the mentally retarded, as defined in Section 1905(d), (Other than in an institution for mental diseases) for individuals who are determined, in accordance with Section 1902(a)(31)(A), to be in need of such care.

SEE ATTACHMENT 4.19-D

16. Inpatient Psychiatric Facility Services For Individuals Under 22 Years of Age

Effective for dates of service on or after July 6, 1992, reimbursement for residential treatment centers is based on the lesser of the budgeted cost per day which includes the professional component or a limit of \$350.00 per day with no cost settlement. The budgeted cost per day is based on the provider's current budget information. Arkansas Medicaid will negotiate with the Arkansas Hospital Association annually (State Fiscal Year - July 1 through June 30) regarding adjustment of the rate and/or the \$350.00 per day limit. The Inpatient Psychiatric Hospital reimbursement methodology is reflected on Attachment 4.19-A, Page 9b.

The budgeted per diem cost is calculated from an annual budget, which all Residential Treatment Center providers are required to submit for the upcoming State Fiscal Year (July 1<sup>st</sup> through June 30<sup>th</sup>). Annual budgets are due by April 30<sup>th</sup>. Should April 30<sup>th</sup> fall on a Saturday, Sunday, or State of Arkansas holiday or federal holiday, the due date shall be the following business day. Failure to submit the budget by April 30<sup>th</sup> may result in the suspension of reimbursement until the budget is submitted. Rates will be calculated annually and will be effective for dates of service occurring during the State Fiscal year for which the budgets were prepared. This is a prospective rate with no cost settlement.

New providers are required to submit a full year's annual budget for the current State Fiscal Year (July 1<sup>st</sup> through June 30<sup>th</sup>) at the time of enrollment. This budget is used to set their rate at the lesser of the budgeted allowable cost per day, or the upper limit (cap) of \$350 per day.

Sexual Offender Programs

Sexual Offender Programs are designed specifically for the treatment of those patients designated as sexual offenders who cannot be treated with other mental health patients. These services are provided in separate units in the psychiatric facility. These units meet all the requirements of Subpart D of 42 CFR Part 441 for inpatient psychiatric services for individuals under 21. In addition, they must meet any certification requirements of the Division of Mental Health Services.

Effective for cost reporting periods beginning on or after September 1, 1995, these providers will be reimbursed using Medicare Principles of Reasonable Cost Reimbursement, in 42 CFR Part 413, subject to cost settlement. The initial interim rates for these programs will use reasonable budgeted cost reports. Once audited cost reports are available the most recent audited cost report will be used to set the interim rate. Interim rates will be adjusted every six months if costs increase more than 10%.

AR-95-32

STATE	Arkansas
DATE REC'D	15 Apr 01
DATE APPEL	18 Apr 01
DATE EFF	1 Jun 01
HCFA 175	AR-01-03